

EAST JORDAN PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required and additional information)
JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

September 30, 2008

Board of Education
East Jordan Public Schools
East Jordan, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of East Jordan Public Schools as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2008 on our consideration of East Jordan Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Jordan Public School's basic financial statements. The combining and individual nonmajor fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

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**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

During 2007 – 2008 fiscal year, the District continued to present Governmental Accounting Standards Board Statement 34 (GASB 34), Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments. This section of the East Jordan Public Schools annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008.

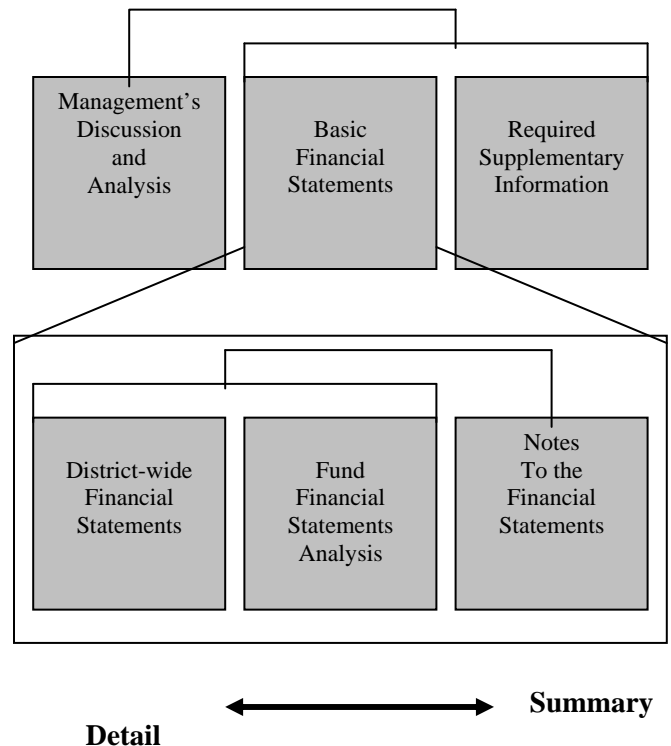
Financial Highlights

- The District's financial status improved this year. Total net assets increased by 10.32% to approximately \$6.4 million compared to \$5.8 million last year.
- At the end of the current fiscal year, the fund balance in the General Fund was \$826,270 or 8.5% of the total expenditures.
- The taxable value of all properties in the District increased this year by 4.8%.
- Student enrollment based on a blended count, decreased by 3.0% to approximately 1,175 students.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

**Figure A-1
Required Components of
The District's Annual Financial Report**



- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements			
	Fund Statements		
	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else's resources such as student activities monies
Required Financial Information	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

The government-wide financial statements of the District are:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds: not the district as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the District-wide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets were higher on June 30, 2008 than they were the year before, increasing more than 10.32% to approximately \$6,450,000. Figure A-3 illustrates the valuation of net assets on June 30, 2008 and 2007.

Figure A-3

Condensed Statement of Net Assets

	<u>2008</u>	<u>2007</u>
Assets		
Current	\$ 2,237,613	\$ 2,111,888
Non-current	<u>13,683,947</u>	<u>14,104,494</u>
Total assets	<u><u>\$ 15,921,560</u></u>	<u><u>\$ 16,216,382</u></u>
Liabilities		
Current	\$ 1,853,349	\$ 1,844,960
Non-Current	<u>7,621,560</u>	<u>8,528,198</u>
Total liabilities	<u>9,474,909</u>	<u>10,373,158</u>
Net Assets		
Invested in capital assets, net of related debt	5,267,133	4,827,800
Restricted	464,528	345,869
Unrestricted	<u>714,990</u>	<u>669,555</u>
Total net assets	<u>6,446,651</u>	<u>5,843,224</u>
Total liabilities and net assets	<u><u>\$ 15,921,560</u></u>	<u><u>\$ 16,216,382</u></u>

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Figure A-4

Results of Operations:

	2008	2007
Revenues:		
Property taxes	\$ 4,790,621	\$ 4,616,501
Unrestricted state aid	4,888,245	5,275,089
Other general revenues	134,540	214,142
Charges for services	297,265	325,489
Operating grants and contributions	1,751,822	1,592,211
Total revenues	11,862,493	12,023,432
Expenditures:		
Instruction	6,423,746	6,434,184
Pupil and instructional services	552,608	655,244
Administration and business	1,163,797	1,191,320
Operation and maintenance	859,480	865,685
Pupil transportation	473,802	520,059
Community services	233,409	243,823
Food service activities	412,904	400,642
Athletic activities	250,469	243,163
Interest on long-term debt	381,897	413,835
Depreciation (unallocated)	506,954	501,963
Total expenditures	11,259,066	11,469,918
CHANGE IN NET ASSETS	\$ 603,427	\$ 553,514

The District's financial position is the product of many factors:

- The State's per pupil funding allowance increased by \$119 this year.
- Enrollment in the District decreased by 36 (blended count) compared to a decrease of 32 students in the prior year.
- Interest expense on long term debt decreased by \$31,938
- Food service expenses increased by \$12,262.

Financial Analysis of the District's Funds

As the District completed the year its governmental funds reported combined fund balances of \$1,346,384, which is higher than the previous year's ending fund balance of \$1,190,434.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. The budget amendments were for changes made at the end of the second quarter to account for final enrollment counts and changes made in assumptions since the original budget was adopted. Significant items causing budget adjustments are:

- Non-homestead property values increased 3.2%, providing an additional \$110,003 in revenues.
- Our student membership decreased, resulting in a decrease in State Aid of approximately \$259,344.
- State At-Risk funding increased 15.0% to \$218,328.
- State Added Cost vocational education funding decreased 46.9% to \$38,142.
- Transportation fuel expense increased by 38.1% to \$49,388.

At the end, actual expenditures were \$9,738,712 compared to \$9,799,378 budgeted, which represents a favorable budget variance of \$60,666.

Actual revenues were \$9,932,468 compared to \$9,947,384 budgeted, which represents an unfavorable budget variance of \$14,916.

Capital Asset and Debt Administration

Capital Assets:

As of June 30, 2008, the District had invested \$20,517,011 in a broad range of capital assets, including school buildings, athletic facility improvements, software, buses, technology and electronic surveillance equipment.

	Beginning of year	Additions	Disposals	End of year
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Buildings and improvements	18,079,049	61,515	-	18,140,564
Land Improvements	191,010	-	-	191,010
Furniture and Equipment	1,328,151	24,892	-	1,353,043
Vehicles	761,528	-	2	761,526
 Total historical cost	 20,359,738	 86,407	 2	 20,517,011
 Less accumulated depreciation:	 6,326,112	 506,954	 2	 6,833,064
 Net capital assets	 <u>\$ 14,104,494</u>	 <u>\$ (420,547)</u>	 <u>\$ -</u>	 <u>\$ 13,683,947</u>

Current additions include carpeting in high school classrooms, basketball hoists and backboards for the elementary and high school gyms, expansion of the high school security system, upgraded heating controls in the middle school, an elementary stage curtain, and a hot water boiler for the high school.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Long Term Debt:

Total long-term debt at June 30, 2008 was \$8,525,916. Below is the debt activity for the year:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Decreases</u>	<u>End of year</u>
Bonds and installment agreements	\$ 9,276,694	\$ -	\$ 859,880	\$ 8,416,814
Other liabilities				
Compensated absences	<u>111,384</u>	<u>-</u>	<u>2,282</u>	<u>109,102</u>
Total long-term liabilities	<u>\$ 9,388,078</u>	<u>\$ -</u>	<u>\$ 862,162</u>	<u>\$ 8,525,916</u>

Factors Bearing on the District's Future

The following factors have been considered in preparing the budget for the 2008/2009 school year:

- For 2008-2009, the per pupil state foundation grant will increase \$112 to \$7,316. At the same time, the District's enrollment is expected to decrease sharply. It is anticipated that the District will need to make expenditure reductions and reduce fund balance in 2008-2009. Given the lack of State support, and ongoing declining enrollment ramifications, additional and potentially substantial expenditure reductions will likely be necessary prior to 2009-2010.
- A contract with the teaching staff was approved August 2008. The contract expires August 31, 2010.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Jordan Public Schools Business Office.

EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 1,067,448
Other Receivables	6,537
Due from other governmental units	1,130,971
Inventory and prepaid items	<u>32,657</u>
Total current assets	<u>2,237,613</u>
Noncurrent assets:	
Capital assets	20,517,011
Less: accumulated depreciation	<u>6,833,064</u>
Total noncurrent assets	<u>13,683,947</u>
	<u><u>\$ 15,921,560</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and other current liabilities	\$ 294,180
Due to other governmental units	47,157
Deferred revenue	91,130
Salaries payable	516,526
Current portion of long term debt	<u>904,356</u>
Total current liabilities	1,853,349
Noncurrent liabilities:	
Noncurrent portion of long-term debt and liabilities	<u>7,621,560</u>
Total liabilities	<u>9,474,909</u>
Net Assets:	
Invested in capital assets, net of related debt	5,267,133
Reserved for debt retirement	390,400
Reserved for capital projects	74,128
Unrestricted	<u>714,990</u>
Total Net Assets	<u>6,446,651</u>
	<u><u>\$ 15,921,560</u></u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (expenses) And changes in Net assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction	\$ 6,423,746	\$ 14,317	\$ 1,061,541	\$ -	\$ (5,347,888)
Supporting services:					
Pupil	349,004	-	192,309	-	(156,695)
Instructional staff	203,604	-	144,973	-	(58,631)
General administration	362,142	-	-	-	(362,142)
School administration	669,151	-	-	-	(669,151)
Business	132,504	-	-	-	(132,504)
Operation and maintenance	859,480	610	14,864	-	(844,006)
Pupil transportation services	473,802	4,542	4,206	-	(465,054)
Community services	233,409	85,299	23,259	-	(124,851)
Food service	412,904	142,422	269,246	-	(1,236)
Athletic activities	250,469	50,075	41,424	-	(158,970)
Interest on long term debt	381,897	-	-	-	(381,897)
Depreciation (unallocated)	506,954	-	-	-	(506,954)
Total governmental activities	<u>\$ 11,259,066</u>	<u>\$ 297,265</u>	<u>\$ 1,751,822</u>	<u>\$ -</u>	<u>(9,209,979)</u>
General revenues:					
Property taxes, levied for general purposes					3,384,713
Property taxes, levied for debt services					1,265,478
Property taxes, levied for capital expenditures					140,430
Unrestricted state aid					4,888,245
Interest and investment earnings					72,646
Other revenues					<u>61,894</u>
Total General revenues					<u>9,813,406</u>
CHANGES IN NET ASSETS					603,427
Net assets – beginning of year					<u>5,843,224</u>
Net assets – end of year					<u>\$ 6,446,651</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>2002 Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 573,182	\$ 254,175	\$ 240,091	\$ 1,067,448
Receivables:				
Accounts	6,016	-	59	6,075
Interest	462	-	-	462
Due from other funds	1,325	-	28,875	30,200
Due from other governmental units	1,125,552	-	5,419	1,130,971
Inventory	-	-	4,093	4,093
Prepaid Expenses	26,064	-	2,500	28,564
	<u>\$ 1,732,601</u>	<u>\$ 254,175</u>	<u>\$ 281,037</u>	<u>\$ 2,267,813</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,284	\$ -	\$ 2,373	\$ 8,657
Due to other funds	28,875	-	1,325	30,200
Due to other governmental units	47,157	-	-	47,157
Accrued expenditures	225,898	-	1,861	227,759
Deferred revenue	82,306	-	8,824	91,130
Salaries payable	515,811	-	715	516,526
Total liabilities	<u>906,331</u>	<u>-</u>	<u>15,098</u>	<u>921,429</u>
Fund balances:				
Reserved for:				
Debt retirement	-	254,175	136,225	390,400
Capital projects	-	-	74,128	74,128
Unreserved:				
Undesignated	826,270	-	55,586	881,856
Total fund balances	<u>826,270</u>	<u>254,175</u>	<u>265,939</u>	<u>1,346,384</u>
	<u>\$ 1,732,601</u>	<u>\$ 254,175</u>	<u>\$ 281,037</u>	<u>\$ 2,267,813</u>

See notes to financial statements

**EAST JORDAN PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 1,346,384
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	The cost of capital assets is	20,517,011
	Accumulated depreciation is	<div style="display: flex; align-items: center;"> <div style="border-bottom: 1px solid black; width: 100px; text-align: right;">(6,833,064)</div> <div style="margin-left: 10px;">13,683,947</div> </div>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

	Bonds Payable	8,416,814
	Accrued interest payable	57,764
	Compensated absences (vacations)	<div style="display: flex; align-items: center;"> <div style="border-bottom: 1px solid black; width: 100px; text-align: right;">109,102</div> <div style="margin-left: 10px;">(8,583,680)</div> </div>

Total net assets - governmental activities	<u><u>\$ 6,446,651</u></u>
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See notes to financial statements.

EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	2002 Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 3,384,713	\$ 641,544	\$ 764,364	\$ 4,790,621
Other local sources	266,266	9,348	245,523	521,137
State sources	5,433,383	-	24,233	5,457,616
Federal sources	285,348	-	245,013	530,361
Interdistrict and other sources	562,758	-	-	562,758
Total revenues	9,932,468	650,892	1,279,133	11,862,493
EXPENDITURES:				
Instruction:				
Basic instruction	4,950,868	-	-	4,950,868
Added needs	1,428,021	-	-	1,428,021
Compensatory education	33,257	-	-	33,257
Total Instruction	6,412,146	-	-	6,412,146
Support Services:				
Pupil services	349,004	-	-	349,004
Instructional staff	203,604	-	-	203,604
General Administration	362,142	-	-	362,142
School Administration	669,151	-	-	669,151
Business	132,504	-	-	132,504
Operations and Maintenance	859,480	-	-	859,480
Transportation	486,871	-	-	486,871
Support services	233,409	-	-	233,409
Food service	-	-	412,904	412,904
Athletic activities	-	-	250,469	250,469
Capital outlay	-	-	87,220	87,220
Debt principal payments	24,880	320,000	515,000	859,880
Debt interest and other charges	5,521	288,700	93,538	387,759
Total support services	3,326,566	608,700	1,359,131	5,294,397
Total expenditures	9,738,712	608,700	1,359,131	11,706,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	193,756	42,192	(79,998)	155,950
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,000	-	152,000	162,000
Operating transfers out	(152,000)	-	(10,000)	(162,000)
Total other financing sources (uses)	(142,000)	-	142,000	-
NET CHANGES IN FUND BALANCES	51,756	42,192	62,002	155,950
FUND BALANCE - beginning of year	774,514	211,983	203,937	1,190,434
FUND BALANCE - End of year	\$ 826,270	\$ 254,175	\$ 265,939	\$ 1,346,384

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Total net change in fund balances - governmental funds	\$	155,950
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(506,954)	
Capital Outlay	<u>86,407</u>	(420,547)

Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

5,862

In the statement of activities, certain compensated absences (vacations) and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Compensated absences (vacations)	2,282
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of principal	<u>859,880</u>
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Change in net assets of governmental activities.

\$ 603,427

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	<u>\$ 75,475</u>	<u>\$ 95,084</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	<u>\$ 75,475</u>	<u>\$ 95,084</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of East Jordan Public Schools (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of East Jordan Public Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the school district. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *2002 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September 2007.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 C-3– Accounting for Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

1. Cash and investments

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund (non-homestead)	18.0000
Debt service funds (homestead & non-homestead)	3.5500
Sinking Fund	0.3943

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

6. Compensated Absences

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

7. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute “available spendable resources.” The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

- B. Expenditures that exceeded appropriations are as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Added Needs	\$ 1,424,381	\$ 1,428,021	\$ 3,640
Enrichment Programs	32,928	33,257	329
Pupil Services	348,996	349,004	8
School Administration	668,217	669,151	934
Operations and Maintenance	859,394	859,480	86
Transportation	483,441	486,871	3,430

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$1,142,289 and the bank balance was \$1,485,857 of which \$200,000 was covered by federal depository insurance and \$1,285,857 was uninsured and uncollateralized. The District has \$30 in petty cash on hand.

Investments

The District had the following investments in external investment pools as of June 30, 2008:

MILAF (mutual fund, cost = market)	\$ <u>604</u>
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Interest Rate Risk – The district will monitor interest rate risk by using and analyzing, segmented time distribution, specific identification and time duration of investments.

Credit Risk - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2008, that district's investment in the MILAF pool was rated AAAm by Standard and Poor's.

Concentration of Credit Risk – The district may invest 100% of available reserves with U.S. Treasury securities completely guaranteed by the Treasury.

A reconciliation of cash as shown on the combined balance sheet follows:

Cash on hand	\$ 30
Carrying amount of deposits	1,142,288
Investments	<u>604</u>
Total	<u>\$ 1,142,922</u>
 Cash and cash equivalents:	
Governmental activities	\$ 1,067,448
Fiduciary funds	<u>75,474</u>
Total	<u>\$ 1,142,922</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2008 consist of the following:

Governmental units	\$ 1,130,971
Other	<u>6,537</u>
	<u><u>\$ 1,137,508</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 – LONG-TERM DEBT

At June 30, 2008, General obligation debts and other long-term obligations currently outstanding are as follows:

\$5,300,000 1995 serial bonds payable in annual installments of \$515,000 through May 1, 2011; interest at 4.50%	\$ 1,545,000
\$7,920,000 2002 serial bonds payable in annual installments of \$360,000 to \$995,000 through May 1, 2017; interest at 3.50% to 4.40%	6,725,000
Limited obligation Durant bonds payable in annual installments of \$3,458 to \$21,298 through May 2013, interest at 4.76%	<u>36,694</u>
Total bonded debt	8,306,694
\$135,000 bus note payable in annual installments of \$25,897 to \$29,207 through July 2012, interest at 4.09%.	<u>110,120</u>
Total bonds and notes payable	8,416,814
Compensated absences	<u>109,102</u>
	<u><u>\$ 8,525,916</u></u>

EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT (concluded)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2008 including interest of \$1,797,542 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 904,356	\$ 351,989	\$ 1,256,345
2010	963,255	321,372	1,284,627
2011	986,855	274,640	1,261,495
2012	873,183	233,199	1,106,382
2013	879,165	198,634	1,077,799
2014-2017	3,810,000	417,708	4,227,708
	8,416,814	1,797,542	10,214,356
Compensated absences	109,102	-	109,102
	<u>\$ 8,525,916</u>	<u>\$ 1,797,542</u>	<u>\$ 10,323,458</u>

At June 30, 2008, net assets of \$390,400 are available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 9,105,000	\$ -	\$ 835,000	\$ 8,270,000	\$ 875,000
Durant resolution debt	36,694	-		36,694	3,459
Bus note	135,000	-	24,880	110,120	25,897
Total bonds payable	9,276,694	-	859,880	8,416,814	904,356
Other liabilities:					
Early retirement incentive	-	-	-	-	-
Compensated absences	111,384	-	2,282	109,102	-
Total long-term liabilities	<u>\$ 9,388,078</u>	<u>\$ -</u>	<u>\$ 862,162</u>	<u>\$ 8,525,916</u>	<u>\$ 904,356</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – NOTE PAYABLE

The District issues State Aid notes in advance of State Aid receipts, depositing the proceeds in the General Fund. This note is necessary because State Aid payments do not begin until September.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2008, excluding interest expense of \$66,087, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable	\$ -	\$ 1,800,000	\$ 1,800,000	\$ -

NOTE 7 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities: Capital assets not being depreciated:				
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Capital assets, being depreciated				
Buildings and improvements	\$ 18,079,049	\$ 61,515	\$ -	\$ 18,140,564
Land Improvements	191,010	-	-	191,010
Furniture and Equipment	1,328,151	24,892	-	1,353,043
Vehicles	761,528	-	2	761,526
Total historical cost	<u>\$ 20,359,738</u>	<u>\$ 86,407</u>	<u>\$ 2</u>	<u>\$ 20,446,143</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 5,195,770	\$ 377,871	\$ -	\$ 5,573,641
Land Improvements	118,153	11,546	-	129,699
Equipment and technology	460,659	66,720	-	527,379
Vehicles	551,530	50,817	2	602,345
Total accumulated depreciation	<u>\$ 6,326,112</u>	<u>\$ 506,954</u>	<u>\$ 2</u>	<u>\$ 6,833,064</u>
Governmental activities capital assets, net	<u>\$ 14,104,494</u>			<u>\$ 13,683,947</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$506,954. The School determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Amounts due to and from other funds for the Districts governmental fund types at June 30, 2008 are as follows:

Receivable fund	Payable fund	Amount
Food Service fund	General fund	\$ 28,875
General fund	Sinking fund	1,200
General fund	Food Service fund	125
		<u>\$ 30,200</u>

Interfund transfers for the year ended June 30, 2008 were as follows:

Fund Transferred Out	Fund Transferred In	Amount
Food Service fund	General fund	\$ 10,000
General fund	Athletic Activities	152,000
		<u>\$ 162,000</u>

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan Description – The District contributes to the statewide Michigan Public School Employees’ Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN - continued

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 16.72%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$1,000,462, \$1,039,400 and \$949,128 respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits – Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Food Service fund – This fund accounts for the Districts school lunch program.

Athletic Activities fund – This fund accounts for the Athletic activities of the District.

Debt service funds account for the receipt of tax revenues to repay the principal and interest of outstanding debt issues.

The *1995 and Durant debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to purchase equipment and other long-term fixed assets within the district.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST JORDAN PUBLIC SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
Local sources	\$ 3,642,284	\$ 3,637,859	\$ 3,650,979	\$ 13,120
State sources	5,279,792	5,466,799	5,433,383	(33,416)
Federal sources	229,095	277,981	285,348	7,367
Interdistrict and other sources	545,646	564,745	562,758	(1,987)
Total revenues	9,696,817	9,947,384	9,932,468	(14,916)
EXPENDITURES:				
Instruction:				
Basic instruction	4,929,076	4,987,615	4,950,868	36,747
Added needs	1,443,163	1,424,381	1,428,021	(3,640)
Enrichment programs	34,113	32,928	33,257	(329)
Total Instruction	6,406,352	6,444,924	6,412,146	32,778
Support Services:				
Pupil services	379,250	348,996	349,004	(8)
Instructional staff	271,670	226,083	203,604	22,479
General Administration	361,098	362,629	362,142	487
School Administration	664,892	668,217	669,151	(934)
Business	136,181	132,522	132,504	18
Operations and Maintenance	872,258	859,394	859,480	(86)
Transportation	461,299	483,441	486,871	(3,430)
Central support services	86,733	89,851	89,405	446
Community services	161,398	152,920	144,004	8,916
Debt service:				
Principal	24,880	24,880	24,880	-
Interest	5,521	5,521	5,521	-
Total support services	3,425,180	3,354,454	3,326,566	27,888
Total expenditures	9,831,532	9,799,378	9,738,712	60,666
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(134,715)	148,006	193,756	45,750
OTHER FINANCING SOURCES (USES):				
Bus note proceeds				
Operating transfers in	10,000	10,000	10,000	-
Operating transfers out	(142,000)	(152,000)	(152,000)	-
Total other financing sources (uses)	(132,000)	(142,000)	(142,000)	-
NET CHANGES IN FUND BALANCES	\$ (266,715)	\$ 6,006	51,756	\$ 45,750
FUND BALANCE - Beginning of year			774,514	
FUND BALANCE - End of year			<u>\$ 826,270</u>	

EAST JORDAN PUBLIC SCHOOLS
2002 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes	\$ 637,023	\$ 637,023	\$ 641,544	\$ 4,521
Investment income	<u>5,500</u>	<u>5,500</u>	<u>9,348</u>	<u>3,848</u>
Total revenues	<u>642,523</u>	<u>642,523</u>	<u>650,892</u>	<u>8,369</u>
EXPENDITURES:				
Debt service:				
Principal	320,000	320,000	320,000	-
Interest and other fiscal charges	<u>290,555</u>	<u>290,555</u>	<u>288,700</u>	<u>1,855</u>
Total expenditures	<u>610,555</u>	<u>610,555</u>	<u>608,700</u>	<u>1,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 31,968</u>	<u>\$ 31,968</u>	42,192	<u>\$ 10,224</u>
FUND BALANCES:				
Beginning of year			<u>211,983</u>	
End of year			<u>\$ 254,175</u>	

ADDITIONAL INFORMATION

**EAST JORDAN PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds			Debt Service Funds			Sinking Fund	Nonmajor Governmental Funds
	Cafeteria	Athletic Activities	Total	1995 Debt Service	Durant Debt Service	Total		
ASSETS								
Cash and cash equivalents	\$ 16,512	\$ 12,026	\$ 28,538	\$ 136,225	\$ -	\$ 136,225	\$ 75,328	\$ 240,091
Receivables:								
Accounts	59	-	59	-	-	-	-	59
Due from other funds	28,875	-	28,875	-	-	-	-	28,875
Due from other governmental units	5,419	-	5,419	-	-	-	-	5,419
Inventory	4,093	-	4,093	-	-	-	-	4,093
Prepaid expenses	2,500	-	2,500	-	-	-	-	2,500
Total assets	<u>\$ 57,458</u>	<u>\$ 12,026</u>	<u>\$ 69,484</u>	<u>\$ 136,225</u>	<u>\$ -</u>	<u>\$ 136,225</u>	<u>\$ 75,328</u>	<u>\$ 281,037</u>
Liabilities:								
Accounts payable	\$ 2,338	\$ 35	\$ 2,373	\$ -	\$ -	\$ -	\$ -	\$ 2,373
Accrued expenses	1,861	-	1,861	-	-	-	-	1,861
Due to other funds	125	-	125	-	-	-	1,200	1,325
Deferred revenue	-	8,824	8,824	-	-	-	-	8,824
Salaries payable	715	-	715	-	-	-	-	715
Total liabilities	<u>5,039</u>	<u>8,859</u>	<u>13,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>15,098</u>
Fund balances:								
Designated – capital projects	-	-	-	-	-	-	74,128	74,128
Designated - debt service	-	-	-	136,225	-	136,225	-	136,225
Undesignated	52,419	3,167	55,586	-	-	-	-	55,586
Total fund balances	<u>52,419</u>	<u>3,167</u>	<u>55,586</u>	<u>136,225</u>	<u>-</u>	<u>136,225</u>	<u>74,128</u>	<u>265,939</u>
	<u>\$ 57,458</u>	<u>\$ 12,026</u>	<u>\$ 69,484</u>	<u>\$ 136,225</u>	<u>\$ -</u>	<u>\$ 136,225</u>	<u>\$ 75,328</u>	<u>\$ 281,037</u>

EAST JORDAN PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Debt Service Funds				Nonmajor Governmental Funds
	Cafeteria	Athletic Activities	Total	1995 Debt Service	Durant Debt Service	Total	Sinking Fund	
REVENUES:								
Local sources:								
Property taxes	\$ -	\$ -	\$ -	\$ 623,934	\$ -	\$ 623,934	\$ 140,430	\$ 764,364
Lunch and milk sales	143,728	-	143,728	-	-	-	-	143,728
Admission and other	-	91,856	91,856	-	-	-	-	91,856
Interest	1,528	550	2,078	7,165	-	7,165	696	9,939
State sources	24,233	-	24,233	-	-	-	-	24,233
Federal sources	245,013	-	245,013	-	-	-	-	245,013
Total revenues	414,502	92,406	506,908	631,099	-	631,099	141,126	1,279,133
EXPENDITURES:								
Food service	412,904	-	412,904	-	-	-	-	412,904
Athletic activities	-	250,469	250,469	-	-	-	-	250,469
Capital outlay	-	-	-	-	-	-	87,220	87,220
Debt service:								
Principle	-	-	-	515,000	-	515,000	-	515,000
Interest and other	-	-	-	93,538	-	93,538	-	93,538
Total expenditures	412,904	250,469	663,373	608,538	-	608,538	87,220	1,359,131
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,598	(158,063)	(156,465)	22,561	-	22,561	53,906	(79,998)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	152,000	152,000	-	-	-	-	152,000
Operating transfers out	(10,000)	-	(10,000)	-	-	-	-	(10,000)
Total other financing sources (uses)	(10,000)	152,000	142,000	-	-	-	-	142,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(8,402)	(6,063)	(14,465)	22,561	-	22,561	53,906	62,002
FUND BALANCES, beginning of year	60,821	9,230	70,051	113,664	-	113,664	20,222	203,937
FUND BALANCES, end of year	\$ 52,419	\$ 3,167	\$ 55,586	\$ 136,225	\$ -	\$ 136,225	\$ 74,128	\$ 265,939

**EAST JORDAN PUBLIC SCHOOLS
TRUST & AGENCY
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
YEAR ENDED JUNE 30, 2008**

	Balances, beginning of year	Receipts	Disbursements	Balances, End of year
ASSETS				
Cash and equivalents	<u>\$ 95,084</u>	<u>\$ 324,896</u>	<u>\$ 344,506</u>	<u>\$ 75,474</u>
LIABILITIES				
Due to organizations and class funds	<u>\$ 95,084</u>	<u>\$ 324,896</u>	<u>\$ 344,506</u>	<u>\$ 75,474</u>

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1995 DEBT
JUNE 30, 2008

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	4.50%	\$ 515,000	\$ 69,525	\$ 584,525
2010	4.50%	515,000	46,350	561,350
2011	4.50%	<u>515,000</u>	<u>23,175</u>	<u>538,175</u>
		<u>\$ 1,545,000</u>	<u>\$ 139,050</u>	<u>\$ 1,684,050</u>

Principal payments due on first day of	May
Interest payments due on the first day of	May and November
Original issue – November 1, 1995	\$5,300,000

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – DURANT DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2009	4.76%	\$ 3,459	\$ 906	\$ 4,365
2010	4.76%	21,298	8,023	29,321
2011	4.76%	3,796	568	4,364
2012	4.76%	3,976	388	4,364
2013	4.76%	4,165	198	4,363
		<u>\$ 36,694</u>	<u>\$ 10,083</u>	<u>\$ 46,777</u>

Principal payments due on fifteenth day of May

Interest payments due on the fifteenth day of May

Original issue – November 24, 1998 \$62,145

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2002 DEBT
JUNE 30, 2008

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:				
2009	3.75%	\$ 360,000	\$ 277,054	\$ 637,054
2010	3.75%	400,000	263,554	663,554
2011	3.85%	440,000	248,555	688,555
2012	3.95%	840,000	231,616	1,071,616
2013	4.05%	875,000	198,436	1,073,436
2014-2017	Various	<u>3,810,000</u>	<u>417,708</u>	<u>4,227,708</u>
		<u>\$ 6,725,000</u>	<u>\$ 1,636,923</u>	<u>\$ 8,361,923</u>

Principal payments due on first day of	May
Interest payments due on the first day of	May & November
Original issue – November 1, 2002	\$7,920,000

EAST JORDAN PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

September 30, 2008

To the Board of Education
East Jordan Public Schools
East Jordan, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2008, which collectively comprise the East Jordan Public School's basic financial statements and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Jordan Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Jordan Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Jordan Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects East Jordan Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of East Jordan Public Schools' financial statements that is more than inconsequential will not be prevented or detected by East Jordan Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements of the financial statements will not be prevented or detected by East Jordan Public Schools' internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Jordan Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of East Jordan Public Schools in a separate letter dated September 30, 2008.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

September 30, 2008

To the Board of Education
East Jordan Public Schools
East Jordan, Michigan

Compliance

We have audited the compliance of East Jordan Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. East Jordan Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of East Jordan Public Schools' management. Our responsibility is to express an opinion on East Jordan Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jordan Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Jordan Public Schools' compliance with those requirements.

In our opinion, East Jordan Public Schools complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of East Jordan Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Jordan Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Jordan Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the East Jordan Public School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties

Certified Public Accountants

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/07	Adjust- ments	Current Year Receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/08
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
National School Lunch Program – Section 4	10.555	71950	\$ 23,122	\$ -	\$ 1,721	\$ -	\$ 2,437	\$ 717	\$ -
National School Lunch Program – Section 4		81950	21,536	-	-	-	21,536	21,536	-
National School Lunch Program – Section 11		71960	142,079	-	20,706	-	37,210	16,504	-
National School Lunch Program – Section 11		81960	127,384	-	-	-	127,384	127,384	-
			314,121	-	22,427	-	188,567	166,141	-
National School Lunch Program – Breakfast	10.553	71970	43,820	-	7,457	-	10,751	3,294	-
National School Lunch Program – Breakfast		81970	38,979	-	-	-	38,979	38,979	-
			82,799	-	7,457	-	49,730	42,273	-
Summer Food Service-Meals	10.559	70900	1,605	-	1,605	-	1,605	-	-
Summer Food Service-Admin		71900	166	-	166	-	166	-	-
Summer Food Service-Meals		70900	6,797	-	-	-	4,991	6,797	1,806
Summer Food Service-Admin		71900	517	-	-	-	517	517	-
			9,085	-	1,771	-	7,279	7,314	1,806
Total Child Nutrition Cluster			406,005	-	31,655	-	245,576	215,728	1,806
Food Distribution:									
Entitlement commodities	10.550		25,498	-	-	-	25,498	25,498	-
Bonus commodities			3,787	-	-	-	3,787	3,787	-
			29,285	-	-	-	29,285	29,285	-
Total Department of Agriculture			435,290	-	31,655	-	274,861	245,013	1,806
<u>U.S. Department of Education</u>									
Direct Programs:									
Indian Education/Title VII	84.060A	06-07	32,167	-	-	-	32,167	32,167	-
<u>Passed through Michigan Department of Education:</u>									
Title I	84.010	81530-0708	174,857	-	-	-	84,679	174,857	90,178

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/07	Adjust- ments	Current year receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/08
Title V	84.298	080250-0708	245	-	-	-	-	245	245
Title II-Technology Literature	84.318	084290-0708	1,643	-	-	-	-	1,643	1,643
Title IIA-Improving Teacher Quality	84.367	080520-0708	61,969	-	-	-	37,662	61,969	24,307
Total Passed through MDE			238,714	-	-	-	122,341	238,714	116,373
<u>Passed through Char-Em ISD</u>									
Handicapped Persons-Transition Serv.	84.027	060490/TS	2,739	-	(2,739)	-	-	-	(2,739)
	84.027A	080490-TS	526	-	-	-	526	213	(313)
			3,265	-	(2,739)		526	213	(3,052)
Voc Ed	84.048		4,540	-	(4,540)	-	-	-	(4,540)
	84.048A		2,161	-	-	-	2,161	2,161	-
			6,701	-	(4,540)	-	2,161	2,161	(4,540)
Drug Free	84.186		1,299	-	1,440	-	2,739	1,299	-
Tech –Prep Education	84.243A	V243A070022	4,684	-	-	-	4,684	4,684	-
Total Char-Em ISD			15,949	-	(5,839)	-	10,110	8,357	(7,592)
Total U.S. Department of Education			286,830	-	(5,839)	-	164,618	279,238	108,781
<u>U.S. Department of Health & Human Services:</u>									
Passed through Char-Em ISD									
Medicaid Outreach	93.778		6,110	-	-	-	6,110	6,110	-
TOTAL FEDERAL AWARDS			\$ 728,230	\$ -	\$ 25,816	\$ -	\$ 445,589	\$ 530,361	\$ 110,587

The accompanying notes are an integral part of this schedule.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTES:

1. Basis of presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of East Jordan Public Schools and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the general purpose financial statements.
2. Child Nutrition Cluster CDFA# 10.555, 10.553, and 10.559 was audited as a major program, representing 40.7% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the general purpose financial statements:

General fund	\$ 285,348
Special revenue funds	<u>245,013</u>
Total Federal Awards	<u><u>\$ 530,361</u></u>

6. East Jordan Public Schools was determined to be a low-risk auditee.

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Section I – Summary of Auditors’ Results

Financial statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit finding disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u> 10.555, 10.553 & 10.559	<u>Name of Federal Program</u> Child Nutrition Cluster
--	---

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

None.

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008
(Continued)**

Section III – Federal Award Findings and Questioned Costs

None.

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS**

Financial Statement Audit

None



September 30, 2008

Board of Education
East Jordan Public Schools
East Jordan, MI

In planning and performing our audit of the financial statements of East Jordan Public Schools for the fiscal year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered East Jordan Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies:

National School Lunch Program

This federal program requires certain compliance requirements be followed. We noted that the requirement to perform On Site/Internal Inspection was not timely completed. This inspection is required to be completed annually by February 1st. Two of the schools did not timely complete their internal inspection.

Another compliance requirement of the National School Lunch Program is to perform Free/Reduced lunch application verification annually by November 15th. Our testing showed that the verification process was not completed until February. After discussion with District staff, it was explained that the delay was a result of following up on original non-reply applications.

The District needs to improve its compliance with the requirements of the National School Lunch Program.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants